

UWF BUSINESS ENTERPRISES, INC.

**(A COMPONENT UNIT OF THE
UNIVERSITY OF WEST FLORIDA)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018



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UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	12
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	13
STATEMENTS OF CASH FLOWS	14
NOTES TO FINANCIAL STATEMENTS	15
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27
SUPPLEMENTARY INFORMATION	
SCHEDULE I – SCENIC HILLS COUNTRY CLUB EXPENSES	29
SCHEDULE II – FOOD SERVICE MANAGEMENT EXPENSES	30
SCHEDULE III – DONATIONS TO THE UNIVERSITY OF WEST FLORIDA	31
SCHEDULE IV – GENERAL AND ADMINISTRATIVE EXPENSES	32
SCHEDULE V – BOOKSTORE MANAGEMENT EXPENSES	33
SCHEDULE VI – BUILDING EIGHT EXPENSES	34
SCHEDULE VII – ARGONAUT VILLAGE EXPENSES	35
SCHEDULE VIII – DIGITAL SIGN EXPENSES	36
SCHEDULE IX – DEPRECIATION EXPENSES	37



INDEPENDENT AUDITORS' REPORT

Board of Directors
UWF Business Enterprises, Inc.
Pensacola, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of UWF Business Enterprises, Inc. (BEI), (a component unit of the University of West Florida), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which comprise BEI's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BEI as of June 30, 2019 and 2018, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules I to IX are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors
UWF Business Enterprises, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019, on our consideration of BEI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BEI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BEI's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Orlando, Florida
September 23, 2019

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019, 2018, AND 2017

This section of UWF Business Enterprises, Inc.'s (BEI) annual financial report presents our discussion and analysis of the financial performance of BEI for the fiscal years ended June 30, 2019, 2018, and 2017. This discussion has been prepared by management.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the Basic Financial Statements found on pages 12 through 26.

Reporting Entity

At the September 23, 2011 University of West Florida ("the University") Board of Trustees meeting, a motion was passed unanimously by Board members to establish a new Direct Support Organization of the University under Florida Statute Section 1004.28 and University Regulation 5.016. BEI was established as a Florida not-for-profit corporation.

On October 18, 2011, BEI's Articles of Incorporation were filed under the laws of the State of Florida, and were certified by the Florida Department of State Division of Corporations on October 19, 2011.

BEI received official notice from the IRS of tax-exempt status under Section 501(c)(3) of the Internal Revenue Code on April 17, 2012. UWF Business Enterprises Inc. received tax-exempt status under code section 170(b)(1)(A)(v) as a governmental unit political subdivision.

BEI was established to build and manage public-private partnerships, create new services and businesses to support the University campus community, and enhance current auxiliaries and businesses to increase alternate sources of revenue for the University.

BEI is focused on entrepreneurial ideas that will enhance academic training and enhance university-community life, allow the University to continue to develop and grow, and increase revenue from alternate sources to further the University's strategic priorities.

The University appointed Dr. James Barnett to serve as interim CEO of BEI from December 6, 2012 through August 31, 2015. On September 1, 2015, Dr. Steven D. Cunningham, Vice President for Finance and Administration became the CEO of BEI. Upon Dr. Cunningham's resignation on September 1, 2018, Dr. Edward Ranelli, Dean Emeritus and Professor of the UWF College of Business, was appointed to serve as CEO. Previously, Dr. Ranelli was appointed as the President's Designee to the BEI Board of Directors and then elected to serve as BEI Board Treasurer, effective May 8, 2017.

Overview of the Financial Statements

The basic financial statements presented herein include all activities of BEI, as prescribed by statements of the Government Accounting Standards Board ("GASB"). BEI is a component unit of the University, from inception on October 18, 2011 through period end, June 30, 2019.

The statement of net position presents information on all BEI's assets and liabilities. Assets less liabilities equal the organization's net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of BEI is improving or deteriorating.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019, 2018, AND 2017

Overview of the Financial Statements (Continued)

The statement of revenues, expenses, and changes in net position presents information showing how BEI's net position changed during the most recent period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statements for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents information about the cash receipts and cash payments of BEI from July 01, 2017 through June 30, 2018 and July 01, 2018 through June 30, 2019. It provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on BEI's financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in BEI's basic financial statements. The notes are included immediately following the basic financial statements within this report.

Schedules I through IX provide supplementary information of expenses by BEI activity reported on the statement of revenues, expenses, and changes in net position. The schedules follow the notes to the basic financial statements.

Summary of Financial Condition

As noted earlier, net position may serve over time as a useful indicator of BEI's financial position.

BEI'S CONDENSED STATEMENTS OF NET POSITION

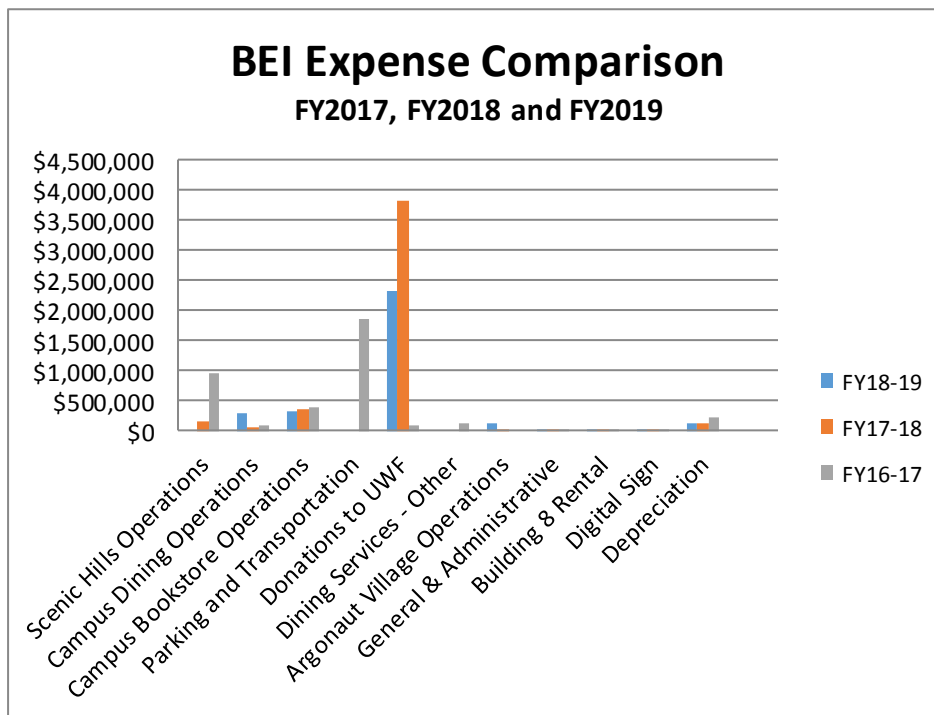
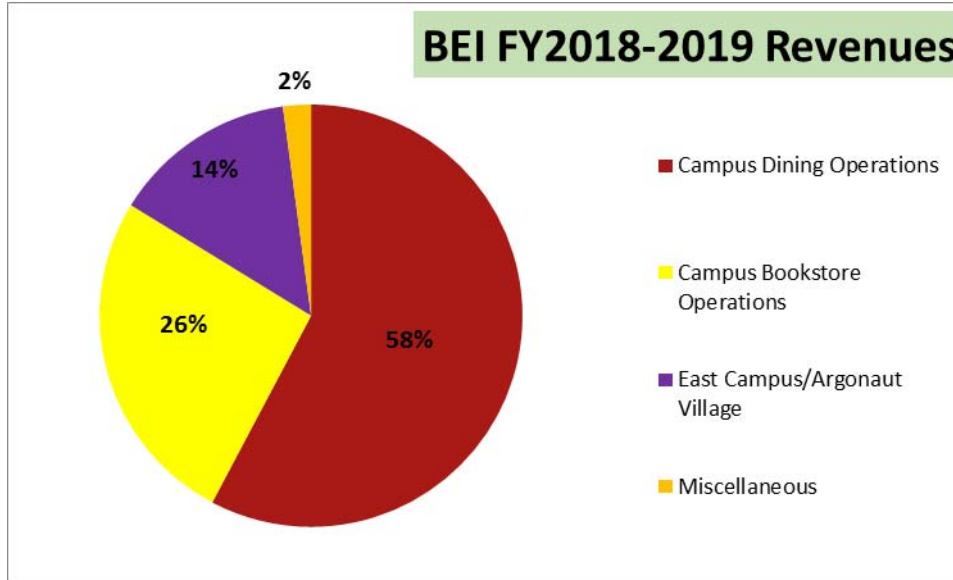
	2019	2018	2017
ASSETS			
Total Assets, Excluding Capital Assets	\$ 715,965	\$ 887,603	\$ 2,967,024
Capital Assets, Net	3,995,024	3,778,700	6,469,647
Total Assets	<u>\$ 4,710,989</u>	<u>\$ 4,666,303</u>	<u>\$ 9,436,671</u>
LIABILITIES			
Current Liabilities	\$ 758,828	\$ 553,754	\$ 586,484
Long-Term Liabilities	8,215,986	6,650,555	6,833,579
Total Liabilities	8,974,814	7,204,309	7,420,063
NET POSITION			
Net Investment in Capital Assets	3,995,024	3,778,700	2,033,129
Unrestricted Deficit	(8,258,849)	(6,316,706)	(16,521)
Total Net Position	<u>(4,263,825)</u>	<u>(2,538,006)</u>	<u>2,016,608</u>
Total Liabilities and Net Position	<u>\$ 4,710,989</u>	<u>\$ 4,666,303</u>	<u>\$ 9,436,671</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019, 2018, AND 2017

BEI'S CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2019	2018	2017
REVENUES			
Golf Course Sales	\$ -	\$ 82,446	\$ 723,473
Food Service Commissions	304,230	66,279	119,288
Bookstore Commissions	323,991	350,121	388,563
Revenues from Service and Management			
Arrangement Income	607,651	442,544	425,719
Parking and Transportation	-	-	2,393,448
Building Eight Rent	20,925	20,718	20,513
Argonaut Village Rent	208,013	128,060	93,053
Digital Sign	1,352	3,993	6,324
Contributions In-Kind	3,245	4,407	4,077
Miscellaneous	6,185	6,025	6,056
Total Revenues	1,475,592	1,104,593	4,180,514
EXPENSES			
Golf Course Operations	-	158,377	926,703
Golf Course Pro Shop Cost of Sales	-	1,435	16,788
Food Service Management	285,000	47,908	97,244
Food Service - Other	-	-	110,316
Bookstore Management	319,298	350,121	388,563
Parking and Transportation Service (Inclusive of Bad Debt)	-	-	1,866,746
General and Administrative	26,294	36,190	34,428
Donations to the University of West Florida	2,335,051	3,813,079	84,637
Building Eight	9,549	10,168	8,581
Argonaut Village	107,484	22,183	-
Digital Sign	2,177	2,145	2,356
Depreciation	116,558	129,978	229,730
Total Expenses	3,201,411	4,571,584	3,766,092
NONOPERATING EXPENSES	-	(1,087,623)	(53,072)
CHANGE IN NET POSITION	(1,725,819)	(4,554,614)	361,350
Net Position - July 1	(2,538,006)	2,016,608	1,655,258
NET POSITION - JUNE 30	\$ (4,263,825)	\$ (2,538,006)	\$ 2,016,608

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(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019, 2018, AND 2017



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JUNE 30, 2019, 2018, AND 2017

Financial Highlights

BEI entered into a management services contract with a new dining services vendor effective May 6, 2018 at a higher commission rate than the prior contract. While commissionable sales were consistent with the prior year, the higher commission rate yielded a larger commission for fiscal year 2019. Commissions exceeded the agreed upon amount due to UWF Business and Auxiliary Services for support and reserves. During fiscal year ending June 30, 2019, BEI received \$2.335 million in capital retail and residential dining improvements from the new vendor and donated these to the University. The balance of the \$3.575 million capital investment plan is scheduled to be completed by the vendor during fiscal year 2020.

Bookstore sales continued to decline in FY2019, compared to FY2018 and FY2017, which resulted in a commensurate reduction in the amounts paid to the University for bookstore auxiliary support management. However, commissions did slightly exceed the vendor's minimum guarantee and the required management support. The sales decline is not a significant concern to BEI management because this reduction is generally due to the increased availability of lower cost course material options to students. These lower cost options are beneficial to both UWF students and University metrics.

In the first year of management of the Argonaut Village facility, BEI earned rental income directly from tenant leases. The facility is fully leased with the execution of the Building 1 lease on February 1, 2019. Estimated build-out costs of about \$313 thousand as of June 30, 2019 are the responsibility of BEI and are in progress. The tenant is concurrently making lease improvements of about \$300 thousand. Completion and occupancy of Building 1 are anticipated in September 2019. In fiscal year 2019, a current tenant at Argonaut Village expanded into an adjacent unit and made capital improvements of \$59,000. Per the lease agreement for this space, BEI reimbursed the tenant \$18,795 of the cost. The gross revenues from the Starbucks located at the Argonaut Village facility continue to be factored into the commissions BEI receives from the dining services vendor.

BEI earned rental income from the Building 8 three-year lease agreement renewed effective July 1, 2016. This lease was again renewed on April 18, 2019, with significantly improved terms for BEI beginning July 1, 2019. BEI earned a small amount of income in FY2019 from the digital signs contract, however this became bad debt by year end. This contract was allowed to expire January 31, 2019. The Florida Department of Transportation notified BEI that a permit and license are required for paid advertising on the Digital Monument sign located at the East Campus, which was under the digital signs contract. Since February, only free advertising promoting the University and Argonaut Village tenants has been displayed. With the expiration of the digital signs contract, the sign is administered and monitored by UWF personnel. In the final year of the contract with Cox Communications, BEI earned a small amount of marketing revenue. This contract will be allowed to expire after the initial term in August 2019 due to the management effort in relation to the low revenue threshold.

Scenic Hills Country Club

SHCC was purchased by BEI in June 2012, with \$1.1 million cash on hand and a \$1.1 million bank loan at 3.95% interest, amortized over 20 years with a balloon payment due in June 2015. The bank loan was renegotiated June 30, 2015, to a five-year \$997,206 bank loan at 4.75% interest, amortized over 17 years with a balloon payment due June 30, 2020. The 2015 appraised value of SHCC was \$2.2 million. The \$1.1 million cash spent to purchase SHCC was from a signing incentive paid to BEI under the Main Campus Dining Agreement with the former dining services vendor.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019, 2018, AND 2017

Scenic Hills Country Club (Continued)

In May 2017, BEI received a formal offer to purchase SHCC for \$1.0 million. The sale agreement between BEI and the buyer was fully executed in July 2017, and the sale of SHCC was completed on August 31, 2017. The proceeds from the sale were enough to repay the balance of the bank loan. BEI recorded a loss from the sale of approximately \$1 million.

Campus Dining and Bookstore

BEI receives commissions based on gross sales from both the dining services and bookstore services vendors for campus operations. From these funds, BEI provides agreed upon, budgeted payments to the University for direct auxiliary support management and reserves.

Capital investments made by the dining services and bookstore services vendors under the respective agreements with BEI ultimately become the property of the University. In recognition of this transfer of capital investments completed and placed into service, BEI's Statement of Revenues, Expenses, and Changes in Net Position reported a donation from BEI to the University of \$2.335 million and \$84,637 for the years ended June 30, 2019 and 2017, respectively.

In the spring of 2017, BEI requested formal proposals from dining services providers for operation of the University's resident dining facility, operation of the campus retail dining establishments including new competitive franchises, catering services, concession services for UWF Intercollegiate Athletics and other events, and operation of the Starbucks located at the East Campus/Argonaut Village facility. During early summer 2017, the financial proposals were reviewed, leading to concurrence to proceed with the initial steps for the transition to a new dining services provider.

The Main Campus Dining Agreement between BEI and the prior dining services vendor, originally executed in July 2013, was terminated on May 5, 2018. Upon notice of termination in November 2017, the Main Campus Dining Agreement was assigned to the University and all commissions earned under the remaining term of the agreement became University revenue. The unamortized balance of the signing incentive received and all capital improvements made under the agreement, as well as the balance of unearned commission advanced in FY12-13 (as of the contract termination date) became due and payable to the dining services vendor. Of the \$1 million advance commission paid to BEI in June 2012, \$352,707 remained unearned as of June 30, 2017. The unearned balance of \$334,337 was repaid to the former dining services vendor upon termination of the Main Campus Dining Agreement.

BEI entered into a Management Services Contract with a new dining services vendor effective May 6, 2018. The initial term of the agreement is ten (10) years, with an option to extend for an additional five (5) years upon agreement of both parties. After the execution of the contract, BEI received \$6.1 million from the dining services vendor to repay the unamortized balance of the capital investments and the balance of unearned advanced commission that BEI owed to the former dining services vendor. BEI also received \$900,000 as an unrestricted grant under the Management Services Contract to be used in furthering BEI's mission. The new dining services vendor also made a financial commitment to BEI in the agreement to invest \$3.575 million for dining facility renovations. The \$6.1 million contract buy-out funds, the \$900,000 unrestricted grant, and all other capital investments made under the agreement are recorded as unearned income and amortized to revenue on a straight-line basis for the number of months remaining until May 2033. Upon expiration or termination of the Management Services Contract by either party prior to complete amortization of the capital investments disbursed, BEI must reimburse the dining services vendor for the unamortized balances within 120 days

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(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019, 2018, AND 2017

Campus Dining and Bookstore (Continued)

In FY2017, BEI and the bookstore services vendor entered into Amendment Number Three to the Bookstore Operating Agreement with an effective date of November 15, 2016. Amendment Number Three provides the following terms: extends the contract for an additional two (2) year period through September 30, 2024; confirms that the remaining unamortized balance of the initial contribution made in October 2012 will continue to be amortized through September 30, 2022; increases the commission rate for the period from July 1, 2022 through the end of the contract term; and provides for an investment of \$300,000 to be allocated to the build-out of the Argonaut Village Argo Fan Shop and renovations to the main campus bookstore. As of June 30, 2019, approximately \$295,000 was invested by the bookstore services vendor in the Argonaut Village Argo Fan Shop.

The University bookstore vendor actively and continuously seeks avenues to improve services to the campus community and to offer savings to students. Programs that offer savings to students include the text rental program. Students can rent new, used, and digital textbooks at a purchase price below that of purchased materials. Loose leaf textbooks packaged with an access code is another way students can save, as the print bound package with an access code can sometimes cost as much as 100 dollars more than the loose-leaf package. The bookstore also offers access codes without a print component at a better cost to the student versus the package. The access code includes a digital copy of the required text so students still have access to their required text material. Open Education Resources (OER) is another cost saving program. Faculty can adopt free and openly licensed educational materials that can be used for teaching, learning, research, and other purposes. The material can be printed for those students that prefer a print copy but still at a cost less than the regular purchase of course materials.

The Shop by Author program implemented last year which streamlines the way students shop for course materials was continued this year. The bookstore services vendor participates in Grad Fairs to assist student in graduation preparation. The bookstore continues to support Textbook Affordability legislation with Follett's Suite of Discover product to assist faculty in the book adoption process and to assist students in their acquisition of course materials. The bookstore exceeded the 95 percent compliance threshold for textbook and instructional materials being posed 45 days prior to the first day of classes during the 2017/18 and 2018/19 academic years.

The bookstore services vendor began operations in the new Argo Fan Shop, located at the Argonaut Village facility in FY17-18. The Argo Fan Shop sells only UWF branded gifts, clothing, and accessories. The bookstore will continue its partnership with UWF Intercollegiate Athletics and will again be the official provider of UWF emblematic merchandise at the 2019 home football games held at the Blue Wahoo's stadium.

Parking and Transportation

On June 21, 2013, the University President granted approval for BEI to "accept and administer Parking and Transportation Services" for the University. BEI contracted with the University for the Management of daily operations. BEI was responsible for the long-term planning, capital investment, and construction of new parking and transportation facilities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019, 2018, AND 2017

Parking and Transportation (Continued)

Following an evaluation of BEI finances, there appeared to be no clear basis to maintain Parking and Transportation Services (PATS) as an Assigned Function with BEI. PATS revenues are restricted funds that cannot be utilized to support other BEI functions and the assignment of PATS to BEI created a burden of accounting and record keeping procedures between BEI and the University that would not otherwise be necessary. BEI's request for the termination of PATS as an Assigned Function was approved by the University President on April 3, 2017, with the effective date of the termination established as July 1, 2017.

The 85-space parking lot added at the East Campus/Argonaut Village facility in early FY15-16, along with all other PATS related assets held by BEI, were donated to the University in accordance with the terms of the reassignment. BEI recorded a donation of approximately \$3.8 million to the University in FY17-18 from the reassignment of PATS.

Argonaut Village

As part of the capital improvements under the Main Campus Dining Agreement, the former dining services vendor invested \$3.85 million to develop and construct over 13,100 gross square feet of mixed-use buildings at the east entrance of the campus. In June 2015, a Development Agreement and a Lease Agreement were executed between BEI and the prior dining services vendor in connection with the East Campus construction project. The Development Agreement outlined the scope of work to be performed and the Lease Agreement identified BEI as the landlord and the dining services vendor as the tenant. The term of the lease agreement coincided with the term of the Main Campus Dining Agreement. Under the Lease Agreement, BEI received a \$100,000 lease payment in July of each year. The lease agreement was terminated, effective May 5, 2018, to coincide with the termination of the Main Campus Dining Agreement. On May 6, 2018, management of the Argonaut Village facility became the responsibility of BEI and BEI entered into lease agreements with all of the current tenants. BEI earned rental income from the Argonaut Village facility in FY2017 and FY2018 under the Lease Agreement with the former dining services vendor. In FY 2019, BEI earned rental income directly from tenant leases. Construction of the building shell level of the Argonaut Village facility was completed in 2015 and build-outs for all units in Building 2 have been completed. The Building 1 build-out is currently in progress with completion and occupancy anticipated for September 2019.

Other Items

BEI has continued to focus strategically on the East Campus/Argonaut Village development and management. There have been changes to the Designated Support Organization (DSO) Florida Statute Section 1004.28 in the current year. Under the new legislative guidelines BEI will continue to evaluate its purpose to advance the mission of the University. Currently, there are no new projects planned.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the following address:

UWF Business Enterprises, Inc.
11000 University Parkway
Building 20E
Pensacola, FL 32514

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 618,037	\$ 833,494
Accounts Receivable, Net	41,648	24,589
Prepaid Expenses and Other Assets	56,280	29,520
Total Current Assets	715,965	887,603
CAPITAL ASSETS		
	3,995,024	3,778,700
Total Assets	\$ 4,710,989	\$ 4,666,303
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 6,223	\$ 6,184
Accrued Liabilities	6,726	3,469
Due to the University of West Florida, Net	57,243	17,434
Unearned Service and Management Arrangement Income - Current Portion	688,636	526,667
Total Current Liabilities	758,828	553,754
LONG-TERM LIABILITIES		
Unearned Service and Management Arrangement Income - Less Current Portion	8,215,986	6,650,555
Total Long-Term Liabilities	8,215,986	6,650,555
Total Liabilities	8,974,814	7,204,309
NET POSITION		
Net Investment in Capital Assets	3,995,024	3,778,700
Unrestricted Deficit	(8,258,849)	(6,316,706)
Total Net Position	(4,263,825)	(2,538,006)
Total Liabilities and Net Position	\$ 4,710,989	\$ 4,666,303

See accompanying Notes to Financial Statements.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Golf Course Sales	\$ -	\$ 82,446
Food Service Commissions	304,230	66,279
Bookstore Commissions	323,991	350,121
Revenues from Service and Management Arrangements	607,651	442,544
Building Eight Rent	20,925	20,718
Argonaut Village Rent	208,013	128,060
Digital Sign	1,352	3,993
Contributions and In-Kind	3,245	4,407
Miscellaneous Income	6,185	6,025
Total Revenues	<u>1,475,592</u>	<u>1,104,593</u>
EXPENSES		
Golf Course Operations	-	158,377
Golf Course Pro Shop Cost of Sales	-	1,435
Food Service Management	285,000	47,908
Bookstore Management	319,298	350,121
General and Administrative	26,294	36,190
Donations to the University of West Florida	2,335,051	3,813,079
Building Eight	9,549	10,168
Argonaut Village Expense	107,484	22,183
Digital Sign	2,177	2,145
Depreciation	116,558	129,978
Total Expenses	<u>3,201,411</u>	<u>4,571,584</u>
NET OPERATING LOSS	(1,725,819)	(3,466,991)
NONOPERATING REVENUES (EXPENSES)		
Write Off	-	(507)
Loss on Disposal of Capital Assets	-	(1,079,455)
Interest Expense	-	(7,661)
Total Nonoperating Revenues (Expenses), Net	<u>-</u>	<u>(1,087,623)</u>
CHANGE IN NET POSITION	(1,725,819)	(4,554,614)
Net Position - Beginning of Year	<u>(2,538,006)</u>	<u>2,016,608</u>
NET POSITION - END OF YEAR	<u>\$ (4,263,825)</u>	<u>\$ (2,538,006)</u>

See accompanying Notes to Financial Statements.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Others	\$ 1,431,773	\$ 9,939,786
Cash Paid to Leased Employees for Services	-	(64,886)
Cash Paid to Suppliers and Others	<u>(1,314,348)</u>	<u>(9,372,863)</u>
Net Cash Provided by Operating Activities	117,425	502,037
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Capital Debt	-	(917,681)
Interest Paid on Capital Debt	-	(7,661)
Repayments of Obligations Under Capital Leases	-	(4,444)
Write Off	-	(507)
Purchase of Capital Assets	(332,882)	-
Proceeds from Sale of Capital Assets	-	941,514
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(332,882)</u>	<u>11,221</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(215,457)	513,258
Cash and Cash Equivalents - Beginning of Year	<u>833,494</u>	<u>320,236</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 618,037</u></u>	<u><u>\$ 833,494</u></u>
RECONCILIATION OF CHANGE IN NET OPERATING INCOME PROVIDED BY OPERATIONS		
Net Operating Loss	\$ (1,725,819)	\$ (3,466,991)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	116,558	129,978
Donation of Non-Cash Assets	-	540,000
Changes in:		
Accounts Receivable	(17,059)	209,652
Due to/from the University of West Florida	39,809	2,415,224
Inventory	-	5,568
Prepaid Expenses	(26,760)	(20,331)
Accounts Payable	39	(37,763)
Accrued Liabilities	3,257	(44,073)
Unearned Commission Income	-	(352,707)
Unearned Service and Management Arrangement Income	1,727,400	1,123,480
Net Cash Provided by Operating Activities	<u><u>\$ 117,425</u></u>	<u><u>\$ 502,037</u></u>

See accompanying Notes to Financial Statements.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

UWF Business Enterprises, Inc. (BEI) was formed in 2011 as a Florida corporation, organized as a direct support organization of the University of West Florida (the University or UWF) under Section 1004.28, Florida Statutes, and Rule 6C-9.011, Florida Administrative Code, and therefore is considered a component unit of the University. BEI was organized for the explicit purpose of supporting the University of West Florida by the development of properties and facilities used or useful in the University's educational endeavors, to lessen the burdens of government and provide assistance to the faculty, staff and students of the University. BEI is a public charity under section 501(c)(3) of the Internal Revenue Code.

BEI owns an office building located on UWF's campus that is used to support the University's educational activities. BEI has also entered into contracts that will provide dining, bookstore, retail services, and any other assigned functions to University students and personnel.

As discussed in the subsequent notes to the financial statements, BEI incurred significant losses related to the Sale of Scenic Hills Country Club (Note 13) and the donation of the related parking and transportation assets (Note 8) during the year ended June 30, 2018. During the year ended June 30, 2019, BEI donated \$2,335,051 in capital improvements related to dining and retail facilities to the University (Note 6). Those events have caused net position to decrease from \$(2,538,006) as of June 30, 2018, to \$(4,263,825) as of June 30, 2019. BEI management notes that the unearned service and management income of \$8,904,622 that will be recognized over the next 15 years coupled with rental income from Argonaut Village would satisfy that deficit. BEI management notes that in the past several years Scenic Hills Country Club had been incurring losses on operations due to attendance and the overall industry decline, thus management believes that selling the property was in the best interest of BEI. BEI management plans to continue its underlying purpose to support the University of West Florida and has no plans to cease operations within 1 year of the issuance of these audited financial statements.

Basis of Presentation and Accounting

Basis of accounting refers to when revenues, expenses and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurements focus applied.

The accompanying financial statements of the business-type activities of BEI have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. BEI applies all applicable GASB pronouncements.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued)

BEI uses enterprise fund accounting. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of reporting cash flows, BEI considers all cash accounts and certificates of deposit with original maturities of three months or less to be cash or cash equivalents.

The uncollateralized combined bank balance comprised of demand deposits is subject to custodial credit risk as it exceeds the Federal Depository Insurance (FDI) limits by \$368,037 and \$634,293, for the years ended June 30, 2019, and June 30, 2018, respectively. BEI has not experienced any losses in these accounts. All deposits are held at a Qualified Public Depository in compliance with Florida Statute.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated net of an allowance for doubtful accounts. BEI estimates for doubtful accounts based on an analysis of certain customers taking into consideration the age of the past due accounts and an assessment of the customer's ability to pay. Accounts are considered past due when the payments due are not made within certain designated timeframes.

A summary of the changes in the allowance for doubtful accounts follows:

	2019	2018
Beginning Balance	\$ -	\$ 112,914
Current Year Provision	1,352	-
Write Offs of Accounts	(1,352)	-
Reduction due to sale of Scenic Hills CC (See Note 13)	-	(1,253)
Reduction due to Donation (See Note 8)	-	(111,661)
Ending Balance	\$ -	\$ -

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due to/from the University of West Florida, Net

Due to/from the University of West Florida, Net includes BEI cash held in a University account (Agency or Auxiliary) which may be withdrawn by BEI at any time (no funds access restrictions) and commissions owed to the University by BEI related to assigned functions.

Capital Assets

Capital assets consist of land, buildings and improvements, equipment, furniture and fixtures, and construction in progress. Assets are capitalized and recorded at cost at the date of acquisition or at estimated acquisition value at the date received in the case of donations. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. BEI has a capitalization threshold of \$50,000 for buildings, building improvements, infrastructure, infrastructure improvements, and leasehold improvements and a \$5,000 capitalization threshold for tangible personal property. Depreciation is calculated on the straight-line basis over the following estimated useful lives of the related assets:

Buildings	40 Years
Maintenance Equipment	7 – 10 Years
Furniture and Fixtures	7 Years
Office Equipment	5 Years
Software	5 Years

Unearned Service and Management Arrangement Income

Prior to May 2018, BEI received \$1.1 million as a signing incentive in fiscal year 2012 in connection with a dining services contract with the same food service vendor, which was amortized on a straight-line basis through June 2033. Effective October 2012, BEI also assumed the unamortized balance of the vendor's investment under the prior dining services contract between the University and the vendor, which was amortized on a straight line basis through June 2023. Capital improvements made and to be made by the vendor under the contract were recorded as unearned income and were amortized on a straight line basis from October 2012, or date of completion in the case of capital improvements, through June 2035. As discussed in Note 6, this contract was terminated in May 2018.

In May 2018, BEI received \$6.1 million in buyout funds from a dining services vendor in connection with a new dining services contract. In addition, BEI received a \$900,000 grant from the vendor for operations. The funds received under the contract are recorded as unearned income and are amortized on a straight-line basis from May 2018 through May 2033. As part of this contract, the vendor will provide up to \$3.575 million in dining and retail capital improvements. In fiscal year 2019, \$2.335 of improvements were completed and recorded as unearned income, amortized on a straight-line basis from January 2019 through May 2033.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Service and Management Arrangement Income (continued)

BEI received as part of a service and management arrangement an initial contribution of \$600,000 from the vendor for the operation of the bookstore. This unearned income is being amortized on a straight-line basis from October 2012 through November 2022.

Net Position

Equity is classified as net position and is further classified into the following components:

Net Investment in Capital Assets – Consists of all capital assets, reduced by outstanding debt that is attributable to the acquisition of those assets.

Unrestricted – Consists of all other assets and liabilities not included in the above category.

Income Taxes

BEI was established as a direct support organization of the University and has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

BEI evaluates its tax positions for uncertainties on a regular basis and has determined it has no material uncertain tax positions as of June 30, 2019 and 2018. BEI recognizes accrued interest and penalties, if any, associated with uncertain tax positions in “expenses” in the accompanying financial statements.

As of the date the financial statements were available for issue, BEI is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with accounting principles generally accepted in the United States of America.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with Dining Services, Bookstore Services, and Argonaut Village. Operating revenues are from commissions, service and management arrangements, contributions in kind and rental operations. Operating expenses are primarily from food and bookstore management, management of rental facilities, donations to the University, general and administrative, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2019:

	Beginning Balance	Additions	Disposals	Reclassify	Ending Balance
Land	\$ 94,265	\$ -	\$ -	\$ -	\$ 94,265
Buildings	3,896,399	-	-	-	3,896,399
Building Improvements	-	18,794	-	-	18,794
Furniture and Fixtures	127,464	-	-	-	127,464
Construction in Progress	-	314,088	-	-	314,088
	<u>4,118,128</u>	<u>332,882</u>	<u>-</u>	<u>-</u>	<u>4,451,010</u>
Less: Accumulated Depreciation	(339,428)	(116,558)	-	-	(455,986)
Total	<u>\$ 3,778,700</u>	<u>\$ 216,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,995,024</u>

Capital assets consisted of the following at June 30, 2018:

	Beginning Balance	Additions	Disposals	Reclassify	Ending Balance
Land	\$ 393,162	\$ -	\$ (298,897)	\$ -	\$ 94,265
Parking Lot	600,000	-	(600,000)	-	-
Buildings	5,454,534	-	(1,558,135)	-	3,896,399
Golf Course Improvements	374,559	-	(374,559)	-	-
Maintenance Equipment	23,014	-	(23,014)	-	-
Furniture and Fixtures	263,980	-	(136,516)	-	127,464
Office Equipment	6,606	-	(6,606)	-	-
Exterior Sign	11,392	-	(11,392)	-	-
Software, under Capital Lease	20,753	-	(20,753)	-	-
	<u>7,148,000</u>	<u>-</u>	<u>(3,029,872)</u>	<u>-</u>	<u>4,118,128</u>
Less: Accumulated Depreciation	(678,353)	(129,978)	468,903	-	(339,428)
Total	<u>\$ 6,469,647</u>	<u>\$ (129,978)</u>	<u>\$ (2,560,969)</u>	<u>\$ -</u>	<u>\$ 3,778,700</u>

Depreciation expense amounted to \$116,558 and \$129,978 for the years ended June 30, 2019 and 2018, respectively, and includes amortization expense of \$-0- and \$692 for the years ended June 30, 2019 and 2018, respectively, for the above equipment under capital lease.

During the years ended June 30, 2019 and 2018, BEI donated Capital Investments in the amount of \$- and \$540,000, respectively, to the University of West Florida.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows at June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Unearned Service and Management Arrangement Income	\$ 7,177,222	\$ 2,335,051	\$ (607,651)	\$ 8,904,622	\$ 688,636
Total	<u>\$ 7,177,222</u>	<u>\$ 2,335,051</u>	<u>\$ (607,651)</u>	<u>\$ 8,904,622</u>	<u>\$ 688,636</u>

Changes in long-term liabilities were as follows at June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Note Payable	\$ 917,681	\$ -	\$ (917,681)	\$ -	\$ -
Capital Lease Obligation	4,444	-	(4,444)	-	-
Unearned Commission Income	352,707	-	(352,707)	-	-
Unearned Service and Management Arrangement Income	6,053,742	7,000,000	(5,876,520)	7,177,222	526,667
Total	<u>\$ 7,328,574</u>	<u>\$ 7,000,000</u>	<u>\$ (7,151,352)</u>	<u>\$ 7,177,222</u>	<u>\$ 526,667</u>

The note payable consisted of a bank loan with an original principal balance of \$1.1 million at 3.95% interest, amortized over 20 years with a three-year balloon payment. This note was paid in full during the year ended June, 30, 2018, as part of the Scenic Hills Country Club sale (see Note 13).

BEI was party to a capital lease agreement for software, which expired in 2018. This software and the related capital lease was sold in 2018 as part of the Scenic Hills Country Club sale.

NOTE 4 UNEARNED SERVICE AND MANAGEMENT ARRANGEMENT INCOME

As subsequently discussed in Note 6, BEI terminated its former dining services agreement and entered into a new contract during May 2018. Within the former agreement, BEI received \$1.1 million as a signing incentive during fiscal year 2012. Effective October 2012, BEI also assumed the unamortized balance of the vendor's investment under the prior dining services contract between the University and the vendor. During fiscal year 2014, an additional \$300,000 was due for certain capital investments, and during fiscal year 2015, an additional \$4,375,000 was invested by the vendor as stipulated in the contract signed with the food service provider. During fiscal year 2017, an additional \$225,081 was invested by the vendor related to various food service projects.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 UNEARNED SERVICE AND MANAGEMENT ARRANGEMENT INCOME (CONTINUED)

Under the new dining services agreement executed in May 2018, BEI received \$6.1 million in buyout funds to repay the former dining services vendor as well as a \$900,000 grant. The contract allows for up to \$3.575 million in capital improvements to dining and retail facilities. The investment, grant funds and capital improvements received under the contract are recorded as unearned income and are amortized on a straight-line basis from May 2018 through May 2033.

As subsequently discussed in Note 7, BEI received as part of a service and management arrangement an initial contribution of \$600,000 from the vendor for the operation of the bookstore. This unearned income is being amortized on a straight-line basis from October 2012 through November 2022.

Unearned service and management arrangement income consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Unamortized Unearned Income from Dining Services Agreement - Note 6	\$ 8,709,622	\$ 6,922,222
Unamortized Unearned Income from Bookstore Services Agreement - Note 7	<u>195,000</u>	<u>255,000</u>
Total Unearned Income from Service and Management Arrangements	<u>\$ 8,904,622</u>	<u>\$ 7,177,222</u>

NOTE 5 MANAGEMENT AGREEMENT WITH UNIVERSITY OF WEST FLORIDA

On December 9, 2011, BEI and the University entered into a Master Management Agreement (the Agreement) which authorizes the President of the University to assign management and operation of certain University facilities and programs (Assigned Functions) to BEI. The Agreement requires BEI to use any excess funds to support University operations. However, BEI may retain funds (operating capital) which are necessary for the purposes of future projects and programs.

NOTE 6 ASSIGNMENT OF DINING SERVICES

On June 11, 2012, the President of the University granted approval, under the Agreement, for BEI to accept and administer dining services for the University. BEI entered into an agreement in June 2012 with a food service provider to provide all retail and catering food services on the University's main campus, and concession services at athletic, recreational, and special events at the University's main campus. The June 2012 agreement was terminated May 2018 and subsequent to that, BEI entered into a new agreement with a new provider in May 2018.

The previous contract with the food service provider was effective July 1, 2013, and extended through June 30, 2035, but was terminated in May 2018.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 ASSIGNMENT OF DINING SERVICES (CONTINUED)

On May 6, 2018, BEI entered into a management services contract with a new dining services vendor. The agreement terms are through June 30, 2028, with an option to extend for an additional five years upon agreement of both parties. Either party may terminate the agreement during the contract period with proper notice. Any guaranteed commissions owed to BEI shall be paid by the dining services vendor within 90 days of the termination date. Upon expiration or termination, the amount of unamortized financial commitment disbursed as of the date of expiration or termination and unrestricted grant shall become due to the vendor within 120 days.

In conjunction with the new contract, BEI received \$6.1 million to buyout and repay the unamortized balances of the old service agreement's capital investments and unearned advanced commissions. The agreement also provided a \$900,000 unrestricted grant to be used in furthering BEI's mission and up to \$3.575 million in dining and retail capital improvements. In January 2019, \$2.335 million in renovations were completed and began being amortized. All capital improvements provided under the contract are donated to the University. The \$6.1 million contract buyout funds, the \$900,000 unrestricted grant, current capital improvements and any future improvements to be made under the agreement are recorded as unearned income when received and amortized to revenue on a straight-line basis through May 2033.

During the years ended June 30, 2019 and 2018, BEI has recognized \$547,651 and \$382,544, respectively in earned revenue from the vendor investments. The following is a roll forward of the Unearned Service and Management Arrangement Income for the years ended June 30:

	2019	2018
Unearned Service and Management Arrangement		
Income - Beginning of Fiscal Year	\$ 6,922,222	\$ 5,738,742
Add: Capital Improvements and New Investments under		
Service and Management Arrangements	2,335,051	6,100,000
Add: Unrestricted Grant related to Service and		
Management Arrangements	-	900,000
Less: Reduction due to Termination of Old Agreements	-	(5,433,976)
Less: Amortization of Unearned Income	(547,651)	(382,544)
Unearned Service and Management Arrangement		
Income - End of Fiscal Year	\$ 8,709,622	\$ 6,922,222

The dining services contract also calls for sales commissions to be paid to BEI, inclusive of applicable sales tax, at a set rate of \$10,000 for the year ended June 30, 2018, 6% of Net Sales, per year, during the subsequent five years through June 30, 2023, and 8% of Net Sales, per year, for remainder of the contract. BEI is guaranteed a minimum commission each year as stipulated in the contract; however, that minimum guarantee is contingent on the sales goals established by the University.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 ASSIGNMENT OF BOOKSTORE OPERATIONS

On October 15, 2012, the President of the University granted approval, under the Agreement, for BEI to accept and administer bookstore services for the University.

On August 18, 2009, the University and a bookstore operations vendor entered into a Bookstore Operating Agreement pertaining to the operation of the University's bookstore facilities and certain bookstore upgrades. Bookstore services became an Assigned Function of BEI on October 15, 2012, and the Bookstore Operating Agreement was amended on this date to substitute BEI as party to the agreement in lieu of the University. The amendment additionally extended the contract between BEI and the bookstore operations vendor through September 2022.

Under the contract, a \$600,000 initial contribution was provided to BEI by the bookstore operations vendor. This initial contribution was recorded as unearned income and is being amortized on a straight-line basis over the 10-year contract period. The bookstore operations vendor has also agreed to invest up to an additional \$300,000 for store upgrades throughout various campus locations. The vendor has spent approximately \$292,421 as of the fiscal year ended June 30, 2019, related to these upgrades.

All equipment, fixtures and furniture included as store upgrades from the capital investments of the bookstore operations vendor or from future capital investments will remain the property of the bookstore operations vendor until the investment is fully amortized, over a five year period commencing on the date of the first disbursement of funds, at which time the upgrades will become property of the University. As of June 30, 2019 and 2018, there were no fully amortized store upgrades. Upon such time that store upgrade titles are transferred to the University, the fair value of the assets will be recognized as donations to the University and income by BEI.

During each of the years ended June 30, 2019 and 2018, BEI has recognized \$60,000 in bookstore contract revenue. The following is a roll forward of the Unearned Service and Management Arrangement Income for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Unearned Service and Management Arrangement		
Income - Beginning of Fiscal Year	\$ 255,000	\$ 315,000
Less: Amortization of Unearned Income	<u>(60,000)</u>	<u>(60,000)</u>
Unearned Service and Management Arrangement		
Income - End of Fiscal Year	<u>\$ 195,000</u>	<u>\$ 255,000</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 ASSIGNMENT OF BOOKSTORE OPERATIONS (CONTINUED)

The contract amendment also calls for commissions to be paid to BEI based upon sales by the bookstore operations vendor on a sliding scale from 10.25% on the first \$5 million of sales to 12.25% for sales in excess of \$7.5 million with a minimum annual guarantee of \$425,000 for fiscal years ended June 30, 2013, (which includes commissions earned from July 1, 2012, until the effective date of the contract amendment) and June 30, 2014. For the fiscal years commencing July 1, 2014, and beyond, the minimum annual guarantee shall be equal to 90% of the previous year's calculated commission amount. During the years ended June 30, 2019 and 2018, total commissions amounted to \$323,991 and \$350,121, respectively. These commissions are presented in the accompanying statements of revenues, expenses, and changes in net position.

NOTE 8 ASSIGNMENT OF PARKING OPERATIONS

On June 21, 2013, the President of the University granted approval, under the Agreement, for BEI to accept and administer Parking and Transportation Services (PATS) for the University. The assignment was effective July 1, 2013.

While an assigned function, the revenues and expenses for the PATS assigned function are the responsibility of BEI. BEI contracts with the University to collect revenues and to perform the day-to-day operations of the parking function on behalf of BEI.

Effective July 1, 2017, the University elected to terminate the PATS assigned function. In connection with this termination, management of the university and BEI elected to donate the related assets of UWF BEI in the amount of \$3,813,079 to the University, effective July 1, 2017.

The donation to the University during the year ended June 30, 2018 is composed of:

	2018
Reduction of Related Cash Receivable Held in Agency on the Books and Records of the University	\$ 3,185,829
Accounts Receivable, Net of Related Allowance	70,857
Argonaut Village Parking Lot, Net of Depreciation	540,000
Other Amounts Payable to the University	16,393
Total Donation to the University	\$ 3,813,079

NOTE 9 OPERATING LEASES PAID TO BEI

On May 6, 2018, as part of the transition to a new dining services vendor, management of the Argonaut Village facility became the responsibility of BEI. BEI entered into lease agreements with all of the current tenants. During the year ended June 30, 2019, BEI also entered into two lease agreements with the University of West Florida Board of Trustees, a public body corporate, to rent Building Eight and Building One.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 9 OPERATING LEASES PAID TO BEI (CONTINUED)

At June 30, 2018, approximate future minimum rental payments to be received under the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>University- Affiliated Tenants</u>	<u>Commercial Tenants</u>	<u>Total</u>
2020	\$ 93,968	\$ 148,562	\$ 242,530
2021	95,853	159,064	254,917
2022	97,765	162,712	260,477
2023	69,029	158,930	227,960
2024	69,832	124,535	194,367
2025-2029	-	330,735	330,735
Total	<u>\$ 426,448</u>	<u>\$ 1,084,538</u>	<u>\$ 1,510,985</u>

Total rental income for the years ended June 30, 2019 and 2018 was \$182,545 and \$142,510, respectively.

NOTE 10 RISK MANAGEMENT

BEI is exposed to various levels of loss including, but not limited to, losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. BEI is insured for these risks. There were no insurance losses related to these risks for the years ended June 30, 2019 and 2018. BEI is not aware of any liabilities related to these risks as of June 30, 2019.

BEI has established a Low Value Asset Policy to manage and account for certain property items that are portable and susceptible to theft or loss. No low value assets have been identified as missing as of June 30, 2019 and 2018.

NOTE 11 IN-KIND CONTRIBUTIONS

Rent for space utilized by BEI and owned by the University was recorded for \$3,245 and \$4,399, respectively, for the years ended June 30, 2019 and 2018.

Each state university board of trustees is authorized to permit the use of property, facilities, and personal services at any state university by any university direct support organization per Section 1004.28, Florida Statutes. Administrative and fiscal services, office space, and other miscellaneous support services are provided to the University direct support organizations by the University at no cost. Estimated fair values are recorded if determinable. No value is assigned to administrative and fiscal services in the accompanying statements of revenues, expenses, and changes in net position, since there is no objective basis for determining the value.

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 12 RELATED PARTIES

The University provides administrative, managerial and facilities support for BEI. BEI reimbursed the University \$12,544 and \$62,556 for services and costs during the years ended June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, BEI disbursed \$285,000 and \$47,908, respectively, to the University for food service management pursuant to the Agreement discussed in Note 6. For the years ended June 30, 2019 and 2018, BEI disbursed \$319,298 and \$350,121, respectively, to the University for bookstore management pursuant to the Agreement discussed in Note 7. At June 30, 2019, \$57,243 was owed to the University for auxiliary service support received during 2019.

NOTE 13 SALE OF SCENIC HILLS COUNTRY CLUB

On August 31, 2017, BEI sold its ownership of Scenic Hills Country Club to an outside party for approximately \$1.0 million. Included in the sale transaction was all related Land, Buildings, Land and Building improvements, Equipment, Furniture and Fixtures, Software, Inventory, and Accounts Receivable. The subsequent owner assumed all related liabilities and leases upon ownership transfer. In addition, the remaining mortgage of \$910,786 was paid off. The details of the sale are as follows:

Total Sales Price	\$ 1,000,000
Adjustments for Items Paid by BEI in Advance	
50% of Accounts Receivable Owed to Seller	3,272
Adjustments to Sales Price for Items Unpaid by BEI:	
Mower Lease Assumed by Buyer	(54,821)
County Taxes	(2,257)
Property Tax	(1,662)
Punch Cards	(7,411)
Gift Certificates	(15,260)
Credit Books	(3,108)
Closing Costs	(5,428)
Adjusted Sales Price	<u>913,325</u>
Less Pay-Off of Mortgage	<u>(910,786)</u>
Net Cash Received from Sale	2,539
Sale of Assets & Reduction of Liabilities:	
Property, Plant, and Equipment	(2,020,969)
Accounts Receivable	(7,789)
Inventory	(4,832)
Payables, Gift Cards, Credit Books, and Lease Pay-Off	40,810
Mortgage Pay-Off	<u>910,786</u>
Net Loss on Sale of Scenic Hills Country Club	<u><u>\$ (1,079,455)</u></u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
UWF Business Enterprises, Inc.
Pensacola, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of UWF Business Enterprises, Inc. (BEI) (a component unit of the University of West Florida), as of June 30, 2019, and the related notes to the financial statements, which collectively comprise BEI's basic financial statements, and have issued our report thereon dated September 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BEI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BEI's internal control. Accordingly, we do not express an opinion on the effectiveness of BEI's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BEI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BEI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BEI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Orlando, Florida
September 23, 2019

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE I – SCENIC HILLS COUNTRY CLUB EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2019</u>	<u>2018</u>
Administrative Expenses	\$ -	\$ 1,388
Bank Service Charges	-	1,701
Carts Expense	-	44,776
Computer	-	1,227
Course Maintenance	-	20,709
Dues and Subscriptions	-	122
Insurance	-	6,226
Marketing Expense	-	400
Office Supplies	-	118
Postage	-	378
Repairs and Maintenance	-	6,779
Staff Leasing	-	64,886
Taxes and Licenses	-	1,102
Utilities	-	8,565
Total	<u>\$ -</u>	<u>\$ 158,377</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE II – FOOD SERVICE MANAGEMENT EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	2019	2018
Contractual Services - UWF	\$ 285,000	\$ 47,908
Total	\$ 285,000	\$ 47,908

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE III – DONATIONS TO THE UNIVERSITY OF WEST FLORIDA
YEARS ENDED JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	2019	2018
Dining Services Capital Improvements	\$ 2,335,051	\$ -
Reassignment of Parking Services and Related Assets	-	3,813,079
Total	\$ 2,335,051	\$ 3,813,079

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE IV – GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2019</u>	<u>2018</u>
Administrative Expenses	\$ 2,282	\$ 2,339
Advertising and Promotion	222	653
Computer	-	928
Miscellaneous	1,146	75
Office Supplies	2,514	4,606
Postage	64	205
Professional Fees	19,006	25,676
Taxes and Licenses	123	184
Travel and Entertainment	937	1,407
Utilities	-	117
Total	<u>\$ 26,294</u>	<u>\$ 36,190</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE V – BOOKSTORE MANAGEMENT EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2019</u>	<u>2018</u>
Contractual Services - UWF	<u>\$ 319,298</u>	<u>\$ 350,121</u>
Total	<u>\$ 319,298</u>	<u>\$ 350,121</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE VI – BUILDING EIGHT EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	2019	2018
Insurance	\$ 2,904	\$ 2,645
Repairs and Maintenance	704	450
Utilities	5,941	7,073
Total	\$ 9,549	\$ 10,168

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE VII – ARGONAUT VILLAGE EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2019</u>	<u>2018</u>
Administrative Expenses	\$ 1,560	\$ 200
Insurance	9,764	1,872
Miscellaneous	-	303
Postage	39	8
Professional Fees	-	5,557
Repairs and Maintenance	61,390	10,313
Taxes and Licenses	7,890	1,706
Utilities	26,841	2,224
Total	<u>\$ 107,484</u>	<u>\$ 22,183</u>

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE VIII – DIGITAL SIGN EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	2019	2018
Utilities	\$ 825	\$ 2,145
Bad Debt Expense	1,352	-
Total	\$ 2,177	\$ 2,145

UWF BUSINESS ENTERPRISES, INC.
(A COMPONENT UNIT OF THE UNIVERSITY OF WEST FLORIDA)
SCHEDULE IX – DEPRECIATION EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2019</u>	<u>2018</u>
Building Eight	\$ 3,593	\$ 3,593
Scenic Hills Country Club	-	14,359
Argonaut Village	112,965	112,026
Total	<u>\$ 116,558</u>	<u>\$ 129,978</u>